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NATIONAL INTELLIGENCE DAILY CABLE

Thursday 9 February 1978

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STATE DEPARTMENT REVIEW

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National Intelligence Daily Cable for Thursday, 9 February 1978

The NID Cable is for the purpose of informing senior US officials.

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LEBANON: Escalated Tensions

25X1 [] //Syrian troops and units of the predominantly Christian Lebanese regular army clashed for the second day near Beirut yesterday, underscoring the increasingly tense political situation in Lebanon. All of the major Christian militias were put on alert, and there were some exchanges of fire between militiamen and Syrians in Christian areas of East Beirut. We expect that the Syrian and Lebanese governments will try to keep the situation from getting out of hand.//

25X1 [] //The unprecedented clashes between the regular Syrian and Lebanese forces are an ominous new development. The fighting apparently started on Tuesday because of a misunderstanding over control of a checkpoint. It then escalated despite the efforts of Lebanese authorities to control the situation. The Lebanese soldiers involved are almost entirely Christian and are commanded by an officer who actively supported extremist Christian forces during the civil war.//

25X1 [] //The Syrians, who lost the initial skirmish, apparently decided to teach the Lebanese a lesson. Syrian tanks and artillery bombarded a Lebanese Army barracks in Fayyadiyah three miles east of Beirut yesterday, near the scene of Tuesday's shootout. In the past, the Syrians have responded with massive retaliation to extremist attacks on their forces.//

25X1 [] Small firefights broke out in East Beirut between the militiamen and Syrian soldiers, and the Syrians attacked the headquarters of one of the militias in retaliation.//

25X1 [] //Even before the clashes this week, the Syrians instituted tighter security measures in Beirut in an effort to deal with a rash of terrorist incidents. Some of these incidents apparently resulted from feuding among Palestinians, while others arose from rivalries among Lebanese groups. Press sources report 94 bombing incidents in Beirut this year.//

25X1 [] //The new security measures heightened tensions between the Syrian peacekeeping forces and the Lebanese and Palestinian extremists. The Maronites in particular have become increasingly unhappy with the Syrian occupation.//

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[] //The increasing level of violence in Beirut also reflects the lack of progress toward a political reconciliation between Muslims and Christians. Several other factors contributing to the deteriorating situation include an arms buildup, the unresolved problem of southern Lebanon, and quarreling among Palestinians.//

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[] //The Lebanese Government is trying to arrange a cease-fire in Beirut; and the Syrians, as well as moderate Christians and Palestinians, have a vested interest in avoiding a return to full-scale warfare.//

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[] //The Syrians have sufficient forces in and around Beirut to crush the Maronites, although with some difficulty, but President Asad will probably try to cool the situation quickly. Further violence is likely, however, as both Christian and Muslim extremists attempt to take advantage of the present tension to settle old scores. []

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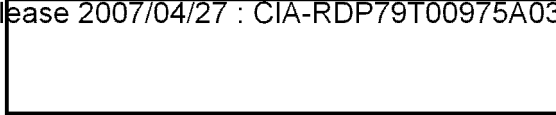
ISRAEL: Settlement Problems

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[] *The Israeli cabinet's efforts to put a damper on the controversy surrounding Shiloh by approving it only as an archeological site will not ease the government's dilemma over the settlements issue for long. Gush Emunim militants and other prosettlement groups are likely to increase their pressure on Prime Minister Begin in a further attempt to restrict his flexibility in the peace negotiations.*

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[] Begin may have believed that a compromise that would allow Gush Emunim settlers to remain at Shiloh was necessary to placate hard-liners within his coalition and that he will now be able to hold the line against further pressure to accelerate settlement activity elsewhere on the West Bank. Short of invoking his full authority, however, his ability to control Gush militants is open to doubt. Gush settlement leader Hannan Porat has in fact signaled that the Gush Emunim may no longer abide by its understanding with Begin to restrict its settlements on the West Bank to military camps and archeological sites.



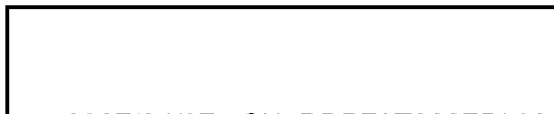
25X1 [] Gush leaders have amply demonstrated their ability to influence government policy through National Religious Party cabinet ministers, whose support is vital to Begin. Agriculture Minister Sharon is especially close to the Gush Emunim and has emerged as an increasingly influential spokesman for the settlement cause.

25X1 [] Because of his position as chairman of the ministerial committee on settlements and his military credentials, Sharon's views on security matters related to the settlements carry considerable weight within the cabinet and with Begin. Sharon has sought to use this influence to put a highly rigid interpretation on Begin's peace plan.

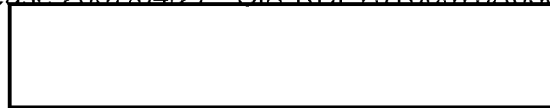
25X1 [] Sharon is a particularly staunch advocate of retaining Israel's settlements in the Sinai as a buffer zone between Egypt and the Gaza strip, which was a staging ground for terrorist attacks on Israel in the past. He also believes the settlements would serve as a valuable safeguard against Egyptian encroachment on any demilitarized zone established in the eastern Sinai under an Egyptian-Israeli peace agreement.

25X1 [] Because the settlements issue has such profound emotional, security and political importance for significant portions of Israeli society, Sharon has a ready-made issue with which to make his influence felt. Thus, the credible threat that Sharon might bolt the cabinet and become a rallying point of rightist opposition to Begin's peace plan serves as one of several checks on the Prime Minister's readiness to moderate his position on the Sinai settlements or his proposal for the West Bank.

25X1 [] Begin is also being pressed to hold fast by a variety of other prosettlement groups that may be beginning to coalesce. Labor-affiliated settlement groups are particularly worried about establishing a precedent for the Golan Heights and the West Bank if Begin accedes to President Sadat's demand that the settlements in the Sinai be removed. Although they have been unwilling thus far to cooperate with the Gush Emunim, some Labor Party members of the Knesset recently joined with several Likud deputies and one National Religious Party deputy to form a parliamentary group opposed to giving up any settlements.



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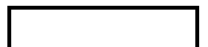
Begin is still having difficulty imposing party discipline on some errant Herut deputies who have opposed his peace plan from the start. The Laam faction of Likud, moreover, came out last week in favor of retaining all Israeli settlements in the Sinai and in opposition to further concessions to Egypt.

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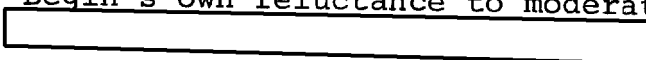
Even the Democratic Movement for Change, the most moderate party in the coalition, appears split over whether to oppose further settlement activity. The party's central council recently passed a resolution by a surprisingly narrow margin opposing settlement activity that "could harm peace negotiations."

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These developments and the lack of any significant countervailing domestic pressures seem likely to reinforce Begin's own reluctance to moderate his negotiating position.

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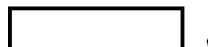
INTERNATIONAL: Free World Oil

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We expect demand for oil in the non-Communist world this year to grow by about 4.5 percent to some 52.5 million barrels per day, a slight acceleration in growth of demand compared with that of last year. Increases in oil supplies in countries that do not belong to the Organization of Petroleum Exporting Countries should satisfy almost all of the growth in demand. OPEC production probably will increase slightly, if at all.

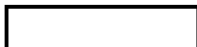
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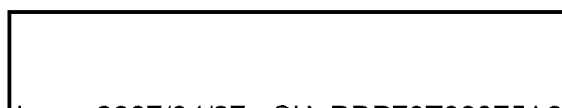
Our demand projection is based on:

- Economic growth rates in 1978 of 4.5 percent in the US, 3 percent in Western Europe, 5.7 percent in Japan, and 4 percent in Canada.
- No change in OPEC prices during 1978.
- An increase of 500,000 barrels per day in the accumulation of strategic stocks, primarily in the US.

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US oil consumption in 1978 will probably increase by about 4 percent following last year's 5-percent advance. We expect a slowdown in the rate at which oil is substituted for



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[redacted]

natural gas in industrial uses, which led to a 20-percent increase in heavy fuel oil consumption last year. Gasoline demand is likely to increase by 2 to 3 percent in 1978, about half its usual growth rate.

25X1, [redacted] Oil consumption in Western Europe may increase by more than 4 percent in 1978 compared with no growth last year. Western Europe did not use more oil in 1977 because industrial production stagnated, abnormally heavy rainfall sharply raised hydroelectric power production, and the availability of natural gas continued to increase. In 1978, we expect oil demand to rise as economic growth improves. A return to normal weather will also require an additional 300,000 barrels per day of oil to generate electric power.

25X1 [redacted] Japan's consumption of oil will probably grow by about 4 percent this year compared with about 6 percent in 1977. The poor operating performance of nuclear power plants led to a decline of one-third in nuclear-generated electricity last year, requiring substitution of oil.

25X1 [redacted] Oil use in Canada is likely to increase by 5 percent in 1978 because of the improved economic outlook.

25X1 [redacted] Oil supplies in non-Communist countries from non-OPEC sources will jump from 17.7 million barrels per day in 1977 to 19.4 million this year. Alaskan North Slope output--on stream for the full year and at a higher rate--will more than offset the continued decline in US production from other areas. North Sea output will increase by 700,000 barrels per day. Mexico will probably produce an additional 200,000 barrels per day for an average of about 1.3 million daily in 1978. We anticipate only small changes in other non-OPEC production.

25X1 [redacted] The substantial increase in non-OPEC oil supplies this year means that OPEC must boost its daily output by only 500,000 barrels, to an average of 32 million, in order to balance the market.

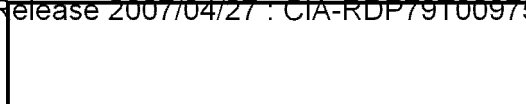
25X1 [redacted] Oil market trends in the latter half of 1978 will be influenced by several opposing elements that will determine the extent to which the market may tighten. Normal stock drawdowns and steadily increasing production in the North Sea and Mexico

will meet the seasonal increase in oil consumption during the fourth quarter. Adding to demand in the fourth quarter will be increased requirements for the US Strategic Petroleum Reserve, which will approach 1 million barrels per day by the end of the year, up from about 100,000 daily in the first quarter. The new production ceilings in Saudi Arabia and Abu Dhabi probably will not cause problems in the market unless economic growth is stronger than projected, or unless a surge in oil company liftings occurs late in the year in anticipation of a 1979 OPEC price increase. Even these ceilings have some flexibility. Because they are annual limits, production may exceed the ceilings in any given month or quarter to make up for shortfalls in other periods.

FRANCE-CHAD: Military Aid

//France may take additional military steps--short of actual involvement in combat--to help the Chadian armed forces repel heavy insurgent attacks against government garrisons in the north. President Giscard has told French officers in Chad to be more flexible in using French military personnel to support Chadian military operations, suggesting that France will not restrict its military teams there to an advisory role. French military transport aircraft continue to stockpile supplies and weapons for Chadian forces.//

//Thus far, the French have been airlifting Chadian soldiers and equipment within the country and supplying ground forces with emergency shipments of arms. Paris has repeatedly asserted that its troops will not participate in the fighting, but France is apparently assuming a more active role in combat support.//



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[redacted] France had hoped to encourage Chad to negotiate with the Libyans, who support the rebels and who themselves occupy a portion of northern Chad. Chad, which earlier broke diplomatic relations with Libya, refused to attend a mediation meeting this week in Niamey, Niger, and negotiations are unlikely in the near future. This has enabled Libya, which in the past has refused to negotiate, to play the role of the aggrieved party seeking peace. [redacted]

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KUWAIT: Prime Minister Appointed

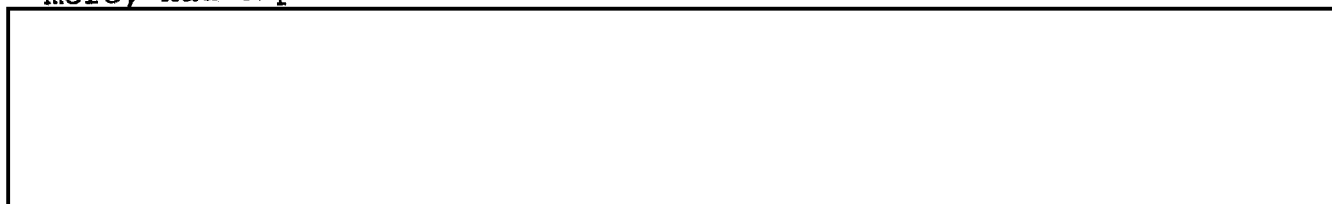
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[redacted] Kuwait's new Amir, Jabir al-Ahmad, appointed Shaykh Saad al-Abdallah to the post of prime minister yesterday. The Amir had named Saad crown prince on 31 January.

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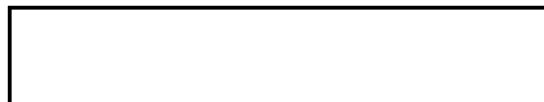
[redacted] Both of Saad's appointments came as surprises. He had appeared disqualified as crown prince because his mother was a Sudanese slave, and another Sabah family member seemed to have the post of prime minister locked up. Many Kuwaitis, furthermore, had expected the new ruler to separate the two jobs.

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[redacted] //Saad's dual appointment excludes from office Jabir al-Ali, the acting prime minister and a long-time rival of the new Amir. We expected Jabir al-Ali to get at least



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[redacted]

one of the key positions. He may have been unable to rally sufficient support because he is unpredictable and unable to get along with most of the family, or perhaps he found the terms for becoming prime minister unacceptable. Jabir al-Ali's absence from the government may be a relief both to the Sabah family and to Kuwait's leading merchant families, who support the new Amir and view Saad's appointment with favor.//

25X1 [redacted] //Saad will probably continue to fill key cabinet positions with family members and to distribute high-level jobs to the two important branches of the family. We expect that Shaykh Sabah al-Ahmad, the Amir's younger brother and foreign minister since 1963, and Shaykh Salim al-Sabah, son of the late Amir and former ambassador to Washington, will be appointed to important posts.// [redacted] 25X1

NAMIBIA: Political Violence

25X1 [redacted] *Political violence is becoming increasingly common in Namibia as the various political coalitions attempt to rally public support in preparation for preindependence elections later this year.*

25X1 [redacted] On Tuesday, the Minister for Health and Welfare for northern Ovamboland was killed by a gunman believed to be a member of the South-West Africa People's Organization. The minister had addressed a political rally in western Ovamboland sponsored by the Democratic Turnhalle Alliance--a multiethnic conservative political front that is challenging SWAPO for control of an independent Namibia. Local police shot to death the gunman, who was armed with a Soviet-made pistol.

25X1 [redacted] Earlier this month, about 40 supporters of the Democratic Turnhalle Alliance broke up a SWAPO rally in eastern Caprivi. The rally, attended by 1,000 people, was the first public meeting SWAPO has held in Caprivi since the ban on public gatherings in northern Namibia was lifted last October.

25X1 [redacted] A SWAPO leader asserts that the disruption of the meeting was well planned and coordinated with local police. South Africa has favored the Democratic Turnhalle Alliance in the electoral contest, and there have been repeated incidents of South African police harassment of SWAPO activists.

25X1 [] SWAPO posters announcing the Caprivi rally were torn down, and the SWAPO leader's car and the house in which he was staying were attacked the previous night. At the rally itself, Democratic Turnhalle Alliance supporters used loudspeakers to address the crowd, distributed pamphlets, tore down the SWAPO banner, and drove vehicles through the gathering.

25X1 [] The SWAPO leader said that police allowed the disturbance to continue for two hours and moved in with tear gas only after SWAPO had decided to halt the meeting. Eight SWAPO members were arrested but later released. [] 25X1

YUGOSLAVIA-US: State Visit

25X1 [] *Belgrade's decision to open contacts between the League of Communists of Yugoslavia and the two major US political parties reflects, among other things, an effort to create a harmonious atmosphere for President Tito's state visit to this country early next month.*

25X1 [] Aleksandr Grlickov, executive committee secretary for international party matters, informed Ambassador Eagleburger last week that the US invitation, extended last fall, had been accepted. He proposed to send a delegation to Washington early this autumn. Grlickov described the opening of party contacts as a new dimension in bilateral relations that will foster "real communication." He said the delegation would represent an amalgam of views and interests.

25X1 [] The decision fits into Belgrade's pattern of broadening political contacts that might prove useful if Moscow should meddle in Yugoslav affairs after Tito dies. During the past year Yugoslavia restored party contacts with China and strengthened its contacts with several social democratic parties in Western Europe. In December, Belgrade was host to Margaret Thatcher, Britain's Conservative Party leader.

25X1 [] The regime nevertheless remains wary of ideological "contamination" and of the foreign policy conflicts that might result. Belgrade does, however, use such contacts to seek understanding for Yugoslavia's problems and to maintain a "balanced" foreign policy.

25X1 [] The US Embassy has noted signs that the decision in this matter posed a difficult problem for the leadership. The Soviets, always troubled by Yugoslavia's unorthodox ways, will certainly be unhappy about the decision. []

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NORTH KOREA: Army Anniversary

25X1 [] North Korea's decision to set back the founding date of its armed forces from 1948 to 1932 appears designed to further the personality cult of President Kim Il-song. It may also be intended to advance the interests of Kim's son, Kim Chong-il, who is being groomed as his father's successor.

25X1 [] North Korea's regular armed forces--the "Korean People's Army"--were officially constituted on 8 February 1948. The North Koreans were organized, trained, and equipped largely by the Soviet forces that occupied the northern half of the peninsula in 1945. Kim, however, has long been credited with founding the anti-Japanese "Korean People's Revolutionary Army" on 25 April 1932, and an editorial in yesterday's issue of the North Korean party daily announced that the establishment of the Korean People's Army will henceforth be marked from that day.

25X1 [] In recent years Pyongyang has dramatized the exploits of the anti-Japanese partisans that Kim allegedly commanded in an attempt to strengthen his revolutionary origins and to demonstrate his independence. The editorial contains some hints that the new anniversary is also designed to enhance the legitimacy and authority of Kim Chong-il within the armed forces. It extols the army's fidelity to the "glorious party"--a codeword sometimes used for the son--and it urges army participation in several political campaigns associated with Kim Chong-il.

25X1 [] South Korean authorities have asserted for some time that Kim Chong-il is meeting strong resistance from the North Korean military establishment. On 2 February, Seoul publicly floated the story that the younger Kim had been physically assaulted by some North Korean military officials and that he was in a coma.

25X1 [] Such stories are clearly fabrications, but they may contain an element of truth. The decision to change the date of the army's founding comes on the eve of its 30th anniversary,

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[REDACTED]

which would probably have required a large turnout of military leaders. It is possible that Pyongyang was not prepared at this point to endorse the full lineup of the army hierarchy because of the lack of a consensus on the Kim Chong-il succession issue.

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[REDACTED] The regime may also want to avoid a full airing of its military policy at a time when it is attempting to project an image of restraint and reasonableness. The next major army anniversary--of the 1932 founding year--will not occur until April 1982. [REDACTED]

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BRIEFS

Syria-Libya-USSR

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[REDACTED] Syrian President Hafiz Asad has accepted a Soviet invitation to visit Moscow next week, according to press reports citing official Syrian sources.

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[REDACTED] Asad may be in the Soviet Union at the same time as Libya's number-two leader, Major Abd al-Salam Jallud, who also plans to visit Moscow next week. The two men are likely to discuss possible Libyan financing of further Soviet arms deliveries to Syria.

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[REDACTED] //Asad last visited the Soviet Union in April 1977, shortly before he met with President Carter in Geneva.//

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OPEC

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[REDACTED] A crude oil price increase this year is unlikely, according to the information chief of the Organization of Petroleum Exporting Countries, Hamid Zaheri. In contrast to official Secretariat statements, which emphasize OPEC unity, Zaheri privately told US Embassy officials that a number of OPEC members are unhappy with the price freeze. He sees no possibility, however, that members seeking a price increase could convince those committed to price stability--Saudi Arabia and Iran--to agree to a rise in 1978.

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25X1 [redacted] On another topic, Zaheri indicated that Venezuelan President Perez' proposal for debt relief to the less developed countries is a dead issue. Zaheri said the idea was hastily conceived for domestic political purposes, and he expressed surprise that Perez had made it an issue at the OPEC meeting in Caracas last December. Zaheri maintained that no member country had supported the proposal, and was disappointed that an OPEC host would seek to take advantage of a conference in such a manner. [redacted]

Somalia-UN

25X1 [redacted] Somalia informed the US yesterday that it would not press its call for a UN Security Council meeting on the situation in the Horn of Africa. The Somalis have apparently concluded that the initiative is not to their advantage--both because it lacks support within the African bloc, and because it faces substantive and procedural problems. [redacted]

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India-Pakistan

25X1 [redacted] Both sides seem pleased with the results of Indian Foreign Minister Vajpayee's visit to Pakistan early this week, although progress toward resolving differences between the two countries was modest.

25X1 [redacted] The Indians had hoped to avoid a discussion of the 30-year-old Kashmir dispute, but the Pakistanis--under considerable domestic pressure--insisted on raising it. No confrontation resulted, and Vajpayee reaffirmed the commitment to an eventual negotiated settlement that India made in 1972.

25X1 [redacted] Vajpayee had hoped for progress in obtaining transit rights for trade with Iran and Afghanistan. The Pakistanis were reluctant to consider the subject, but may have left the way open for further discussions.

25X1 [redacted] Perhaps the most important result of the visit was Vajpayee's success in diminishing Pakistani concern that India's foreign policy will reflect the views of his Hindu extremist Jana Sangh faction of India's ruling party. [redacted]

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Indonesia

25X1 [redacted] Indonesia announced yesterday that General Dharsono would be replaced as Secretary General of the Association of Southeast Asian Nations. Dharsono, an Indonesian military officer, recently criticized President Suharto, who then insisted upon his removal. Although Dharsono's dismissal was a foregone conclusion, Indonesia delayed the move in order to consult with fellow ASEAN members, who were reluctant to see Indonesia unilaterally fire an international public servant. The Thai foreign minister will give Dharsono formal notice of the consensus reached by ASEAN's members. [redacted]

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